1996 Annual Report

EPICORE

EPICORE NETWORKS INC.

Growth through solutions that meet growing needs

EPICORE NETWORKS INC.

Turning the promise of microbes into proven solutions

Hidden within the microscopic world of microbes lies a wealth of unseen solutions to urgent problems. At Epicore, we delve deeply into that world to discover and develop new products for a range of applications that have important social, economic and environmental implications. As global marketers, we face a wide variety of conditions under which our products must perform. In response, our products' performance is proven in commercial demonstrations in actual customer operations.

Value for customers, investors…and the future of our planet

In Asia, Europe, and North and South America, Epicore products provide solid value. Our innovative technologies help solve problems, enhance productivity and control costs for business, industry and agriculture. Our corporate strategies provide our investors with a firm foundation for sustained, profitable growth. And our commitment to helping restore the natural balance will enable all of us to live well, in better harmony with our environment.

Headquartered in Calgary, Canada, Epicore has an international network of offices as well as a major research facility in Mount Holly, New Jersey, USA. Shares of the company stock are listed on the Alberta Stock Exchange under the symbol "EPN".

Notice of annual general meeting

The annual general meeting of the shareholders of Epicore Networks Inc. will be held at 10:00 AM on 6 December, 1996, in the Northcote/Angus Room in Bow Valley Square, +30 Level. Shareholders and others interested in the affairs of the company are welcome to attend.

J.M. (Ian) Fraser
Chief Executive Officer

Since the previous report to shareholders, Epicore Networks Inc. has achieved a number of important milestones in the strategic development of the company. Importantly, the strategy of providing microbial products and technology to primary industries, by proving the superiority of our products over those of the competition, and arranging for their distribution by established companies, has begun to bear fruit.

The superiority of our products, supported by a program of commercial demonstrations and scientific review, has given Epicore the ability to attract reputable international distributors. In June 1996, Epicore signed a marketing and distribution agreement with the Animal Health Division of Bayer AG, the German-based pharmaceutical and chemicals group, for the distribution of Epicore's aquaculture range of products in a number of important markets in South East Asia. Initially, Bayer will market Epicin™, our lead aquaculture product, but the agreement provides Bayer with the option to include additional Epicore aquaculture products in these markets. Epicore looks forward to working with Bayer in other geographical territories in an integrated strategic approach to many of the world's aquaculture problems.

As overfishing continues, the world's aquaculture industry experiences further serious problems and offers a steadily-growing market for the company's products. As in all livestock rearing, the problems of intensive farming, poor husbandry and inadequate nutrition give rise to conditions which create major problems for farmers. These problems are compounded by pollution and disease, to the point where shrimp aquaculture suffers from dramatic collapses. Industry collapses bring serious economic problems to the countries involved as farmers become reticent to restock in the face of uncertain harvests, or are unable to finance new crop cycles, and lead to a lack of industry confidence for investment in solutions, such as Epicin™, which can resolve some of those problems. These financial issues have slowed the direct sales entry of our Epicin™ product as farmers continue to look to remedial solutions to their problems rather than adopting the preventative maintenance regime which Epicore supports. There are signs that these attitudes, which have been compounded by opportunistic investment in the industry, are giving way to a more professional approach to the aquaculture industry and the company is well positioned to take advantage of this change.

Recognizing that some of the problems of the aquaculture industry are caused by factors other than pollution and disease, Epicore has developed a range of supporting products for hatchery, nursery and grow-out ponds which are currently being demonstrated in South America. Consequently, Epicore will be able to offer farmers a range of products which not only address the problems of pollution and disease but also contribute to the production of healthy larvae and provide improved nutrition through all phases of the growth cycle.

A successful initial penetration of the South American market was achieved during the year and the company is optimistic about its ability to contribute to the economic development of that market following a long period of high mortality and low yields in South American shrimp farming. Demonstrations of the performance of Epicin™ have been carried out in China and Vietnam and the company is working with its appointed distributors to introduce the product into commercial distribution in these countries. As a result of these programs Epicore has a target of achieving commercial penetration of all of the important shrimp farming areas in the world by the end of the current financial year.

In Indonesia, delays occasioned by adverse weather conditions are being recovered in the PPF International Corporation contract. The first block of PPF's ponds have now been completed and the first harvest is keenly awaited by our management. This farm, together with that of PT Sulawesi Agro Utama, incorporates all of the expertise which has been generated by PT EnIndo in pond demonstrations and management techniques. The experience gained in these farms will be invaluable in providing technical support and training to our distributors throughout Asia as well as lending credibility to our direct marketing efforts in Indonesia.

In the agricultural sector, demonstrations of Epizym™-AW have been steadily successful and the company is in discussions with potential distributors for the international distribution of that product in a variety of cattle, pig and poultry markets. These negotiations have been supported by product improvements to cope with a wide range of farming techniques, and management ... ve the superior

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WE'D LIKE TO HEAR FROM YOU

If you are a non-registered shareholder whose shares are held in the name of a broker or other financial intermediary and you wish to receive interim financial statements on a regular basis, please complete this card and mail it to us. (If shares are registered in your name, these materials are automatically mailed to you.)

If you would like more information, just let us know. Please complete this card and mail it to us.

NAME ______________________________

ADDRESS ______________________________

CITY ______________________ PROVINCE / STATE ______________________

COUNTRY ______________________ POSTAL CODE ______________________

- ☐ I am a non-registered shareholder and would like to receive interim financial statements.
- ☐ I am a registered shareholder and would like to receive information on the following product(s).
- ☐ I am not a shareholder but would like to receive interim financial statements.
- ☐ I am not a shareholder but would like to receive information on the following product(s).

Product(s) of interest (or your comments): ______________________________

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Epizym Biosystems Limited. Mr. Fortune's efforts were also vital to the re-capitalization of the company in January 1994, the acquisition of the technology of Dr. Howard Worne and the recruitment of most of the present management and the board. In January of 1996, Mr. Fortune left an executive position with Epicore to head up PPF International Corporation, and Epicore wishes him every success in that new venture and thanks him for his contribution over the years. Mr. Wallis and Mr. Hart bring to the board considerable expertise in international business as well as significant management acumen in a wide range of business sectors. Epicore is very pleased and excited about the composition of its board.

J. M. Fraser

J. M. Fraser
Chief Executive Officer
September, 1996

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Mr. David Hunt
Chief Financial Officer
EPICORE NETWORKS INC.
Suite 3070, Bow Valley Square II
205 - 5th Avenue S.W.
Calgary, Alberta, Canada
T2P 2V7

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In the agricultural sector, demonstrations of Epizym™-AW have been steadily successful and the company is in discussions with potential distributors for the international distribution of that product in a variety of cattle, pig and poultry markets. These negotiations have been supported by product improvements to cope with a wide range of farming techniques, and management is confident that the rigorous analysis of performance which accompanies these negotiations will once again prove the superior performance characteristics of Epicore's product against those of competing products.

In the sanitation and cleaning sector the successful trialing of our new range of liquid products, conducted in the UK, is leading to a phased introduction of our hard surface and carpet cleaners into the O.C.S. Group. Discussions are also planned for the autumn with a number of international companies for the long term market development of these products.

The demonstrations in the bioremediation of hydrocarbons in Indonesia were delayed for a variety of reasons, not least weather, but we anticipate giving three papers to the Indonesian Petroleum Association Annual Conference in October on the results of our bioremediation of both marine and land-based hydrocarbon pollution. Environmental pressure is building up world wide against coastal pollution from untreated shrimp ponds and as oil companies seek to reduce the environmental impact of their operations Epicore will aim to exploit business opportunities in both these areas, albeit that these opportunities are expected to be longer term in their commercial development.

During the year tight control of costs has been exercised and the company has achieved a significant increase in its research and market development with only a small increase in overall costs. Importantly, in excess of C$7.5 million in new capital was raised after the year end, by the issue and private placement of 3,790,000 shares. This financing will see the company through its capital requirements for further market and product development for the foreseeable future.

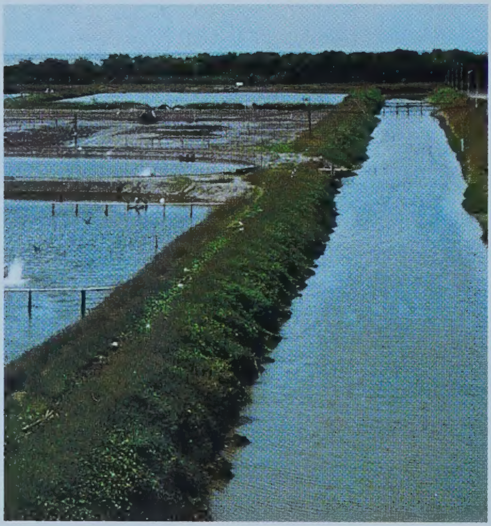
At the September 1996 meeting of the Board of Directors of Epicore, Peter C. Wallis and Hugh C. Hart were appointed directors and Ian Fortune resigned from the board. Mr. Fortune was one of the founders of Epicore and was instrumental in the company becoming publicly-traded, in the establishment of the United States subsidiary of Epicore, and in the creation of Epizym Biosystems Limited. Mr. Fortune's efforts were also vital to the re-capitalization of the company in January 1994, the acquisition of the technology of Dr. Howard Worne and the recruitment of most of the present management and the board. In January of 1996, Mr. Fortune left an executive position with Epicore to head up PPF International Corporation, and Epicore wishes him every success in that new venture and thanks him for his contribution over the years. Mr. Wallis and Mr. Hart bring to the board considerable expertise in international business as well as significant management acumen in a wide range of business sectors. Epicore is very pleased and excited about the composition of its board.

J. M. Fraser
Chief Executive Officer
September, 1996

EPICORE NETWORKS INC.

Aquaculture

Shrimp farming is a multi-billion dollar industry today and growing fast to help feed the world of tomorrow.



Enormous Potential

As the world's population outgrows our agricultural resources, an increasing number of countries are turning to aquaculture as a sustainable source of high-protein food and increased employment. The shrimp farming industry already helps support 50 nations, and many more are exploring its enormous potential for providing employment, attracting investment and generating earnings from exports.

Vast in potential – but not problem-free

Shrimp farming requires good management, a reliable source of healthy stock, regular and adequate testing of water and animals, properly cleaned ponds, and balanced and adequate nutrition. Clean, aerated water must be maintained by water exchanges or aerators, plus biochemical products and anti- and/or probiotics. With all this in place, ponds can produce high yields. However, inadequate nutrition can reduce harvests, while diseases exacerbated by poor pond conditions can cause populations to "crash", destroy farms, and sometimes devastate an entire country's industry.

Biological solutions from Epicore

Epicore provides biological solutions that greatly increase production at shrimp ponds. The flagship product, Epicin™, promotes health and disease resistance by biologically digesting waste in pond water. Three new products announced in 1996 make further contributions to shrimp farming. Epizym™-BGM increases the cost effectiveness of Epicin™, Epizym™-AGP produces benefits in the hatchery and Epizym™-VMC provides vital dietary supplements for rapid and increased growth.

Milestone Alliance

Epicore and Bayer AG – a major new force

In mid-June of 1996, Epicore announced an agreement with the Animal Health Division of Bayer AG for the marketing and distribution of Epicore's aquaculture products. Bayer AG will initially market Epicin™, with an option to market the full range of Epicore's aquaculture products. The agreement includes Thailand, the world's largest shrimp farming nation, as well as Malaysia, Singapore and the Philippines.

This alliance reflects Bayer AG's confidence in Epicore and its technology. It also underscores both companies' appreciation of the strategic importance of solving the problems of aquaculture. The combined strengths of Epicore and Bayer AG will go far to improve productivity and allow for expansion of established shrimp farm operations. By reducing some of the risks of shrimp farming, it will also make such operations feasible in areas where they may not have been before.

> "*The agreement is a milestone in Epicore's strategic policy of extensive trialing and demonstrations of its products and is a major endorsement of our technology. We are confident that the agreement will generate significant levels of sales for Epicore. We look forward to developing a long-term relationship with Bayer AG, a company for which we have the highest regard and whose reputation is respected throughout the world.*"

Ian Fraser
Chief Executive Officer

Aquaculture

1996 highlights from around the world

South East Asia

Epicore's Indonesian subsidiary PT Environmental Network Indonesia (PT EnIndo) is a regional leader in shrimp farm management. For example, in January PPF International Corporation awarded PT EnIndo a ten-year contract valued at a minimum of US $13 million for the first five years alone. Under this arrangement, PT EnIndo will build a 100 hectare farm including 180 ponds and infrastructure. Management responsibilities include land procurement, design, purchase and construction of the infrastructure and farm operations. Despite adverse weather conditions, PT EnIndo has completed the infrastructure and first 60 ponds and will begin farm operations by the end of September.

PT EnIndo has also signed an agreement worth nearly US $9 million to supply products and full management of shrimp hatchery and grow-out ponds to ALatieF's Sulawesi Agro Utama. The successful harvests in July and August resulted in numerous queries from across Indonesia about PT EnIndo's products and techniques.

Latin America

Ecuador, Latin America's largest producer and exporter of cultured shrimp and the second largest in the world, faced steady declines during the early 1990s in its 135,000-ton annual production capacity due to pollution in ponds. In recent demonstrations, Epicin™ proved its potential to reverse those declines at four different shrimp farms in ponds totaling 50 hectares. Epicin™ consistently increased shrimp yields compared to control ponds across widely different farm conditions. Shrimp survival was higher, ranging from 18% to 45% compared to controls which ranged from 16% to 27%. Harvest weights were generally higher in the ponds treated with Epicin™, ranging from 8 to 13 grams compared to an average control pond weight of 9 grams.

The success of Epicin™ in Ecuador has opened the way for expansion throughout the Americas with demonstrations in Colombia, Belize, Venezuela and Guatemala. In addition, sales growth in the Americas will be augmented by the recent introduction of the new nutritional additives which enhance the effectiveness of Epicin™.

New product introductions round out Epicore's aquaculture line.

Epicin™ - a solid foundation

Epicore made its initial impact on the field of aquaculture with Epicin™, a biological complex that removes toxic waste from pond water. Not only does Epicin™ restore water quality and contribute to nutrient supplies, it also improves disease resistance. In 1996, Epicore introduced three important new products that complement the dramatic benefits of Epicin™, and increase the productivity of shrimp farming operations even further.

Epizym™ - BGM

Epizym™-BGM enables aquaculturists who operate on narrow margins to derive maximum benefit from Epicin™. When Epizym™-BGM is used, the microorganisms in Epicin™ are multiplied through a pond-side grow-up procedure. Depending on the grow-up ratios selected, this procedure can either provide the same number of microorganisms at less expense than regular Epicin™ treatment or provide a more powerful Epicin™ treatment at only slightly greater expense.

Epizym™ - VMC

Epizym™-VMC supplies a broad range of essential vitamins and minerals to supplement those that are not included in normal feed or are lost in the feed pelleting process. Not only does Epizym™-VMC help increase the rate of growth, but in many cases it also reduces feed requirements by improving the conversion of feed to biomass. The vitamins in Epizym™-VMC are encapsulated for slow, timed release and increased stability, and the full complement of 72 mineral elements reproduces the variety of mineral nutrients found in the oceans of the world.

Epizym™ - AGP

Epizym™-AGP stimulates the growth of high levels of nutritious marine algae, rotifers and other zooplankton used for feeding shrimp while they develop from eggs to larvae in the hatchery. Epizym™-AGP contains equilibrated nutrients as well as a broad range of secondary and trace minerals, primarily in a form that is highly available for optimal nutritional value. This helps speed the growth of larval shrimp and also improves their immune response to potential disease pathogens.

EPICORE NETWORKS INC.

Bioremediation

Contamination from industrial operations, accidental spills, refuse and waste is a growing concern and a growing market.

Contamination of land and water results from many common petroleum-based operations as well as industrial accidents and mishaps during transport. In addition, insoluble fats, detergents and cellulose or toxic organic wastes can overload the normal refuse stream. The impact of these events on human health, the environment, corporate finances and local economies can be serious — or even devastating. Private companies, municipalities and national governments are actively seeking solutions that will restore land and water to usable conditions and detoxify waste water as effectively and safely as possible.

Epicore's technology puts microbes to work removing toxins

Epicore's series of Epizym™ products for bioremediation includes a specially-formulated balance of beneficial bacteria, vital nutrients and an emulsifier to make contaminants more accessible to the toxin-removing microbes. These products are used to remove a wide variety of pollutants from land and water, including municipal waste water and agricultural runoff.

Attacking PCBs

In July, 1996, Epicore entered into an agreement with PMC Environmental Management Corporation and D'Addario Fowler Environmental Management Solutions Inc. (EMS), both of Ontario, and with Worne Biotechnology, Inc., of New Jersey to form Environmental Waste Destruction, Inc. (EWDI). EWDI has been formed to commercialize a process that eliminates polychlorinated biphenyls (PCBs) and similar compounds — complex, toxic, stable molecules that pose a major disposal challenge. The process, developed by Worne Biotechnology, Inc. and using products from Epicore, will reduce PCBs on site to water, inert gases and benign biomass with no damage to the environment.

On land and sea in South East Asia

The environmentally sensitive area adjacent to Indonesia's Pulau Seribu National Marine Park and only 30 kilometers from the coast of Sumatra contains 106 critical coral and lagoon island habitats that support many endangered species. It is also the site of a demonstration of Epizym™ products for oil spill remediation at sea which is being performed with one of Indonesia's largest offshore exploration and production operators.

On land, in East Kalimantan, Epizym™ products are being demonstrated in a landfarming bioremediation project to remediate soil contaminated with diesel oil-based drilling mud.

Beneath a building in Canada

Developed sites pose problems of their own. One example is in Toronto, where Epizym™ is being injected through 68 wells to remediate diesel- and gasoline-contaminated soil and groundwater underneath a large office building — contamination that might otherwise have persisted for years and cost hundreds of thousands of dollars more using other remediation technologies.

Agriculture

Growing challenges to farming produce growing needs with high yields for Epicore.

In developed nations, modern farming practices call for new solutions to a wide range of problems, including the need to limit chemical fertilizers and to meet stringent environmental standards. Elsewhere, as population growth becomes centered in urban areas, farmers must meet ever-increasing demands for food with concentrated production techniques. Throughout the world, odor, contamination and pollution from animal waste on dairy, cattle and hog farms are major and growing problems.

Improved, odor-free animal waste management

The Epizym™-AW series of products uses the natural activity of beneficial microbes to liquefy and deodorize animal waste in manure handling systems. Product trials have produced impressive results. On one dairy farm, stirring time for a 230,000-gallon slurry tower was reduced from 3 1/2 days to 3 1/2 hours, and odors were totally eliminated. In another instance, a hog farm located near a retail and residential area was threatened with closure by a court environmental abatement order. By using Epizym™-PIGS to reduce solid residue and odor, the farmer was able to meet the court's requirements and continue to operate his farm. Overall performance at the 250 UK dairy farms currently using Epizym™-AW is so impressive that, despite the adverse publicity from BSE, sales will be maintained in 1996/97.

Success in the UK has enabled expansion in Europe. With early successes in German and Dutch demonstrations, marketing has been extended to include Malta, France and Spain. Korea and Japan have expressed interest in this exciting technology as well.

Promoting crop growth with Phytozym™ 2-2-2

Phytozym™ 2-2-2 is a bio-catalytic liquid that is sprayed on plant foliage to increase the absorption of vital nutrients through the leaves and stems. Commercial trials have demonstrated its ability to stimulate healthy growth, improve frost and disease resistance, increase crop yields and improve seed germination. Phytozym™ 2-2-2 has shown success in soybeans, peas, lentils, corn, spring wheat and barley as well as winter barley, oilseed, canola, potatoes and sugar beets. Silage, maize and fodder trials are also underway. Further trials are underway to demonstrate the effectiveness of Phytozym™ 2-2-2 under varying soil conditions and micro-climates. Active commercial marketing will begin this winter to target the spring planting season.

New Solutions

EPICORE NETWORKS INC.

Cleaning and Sanitation

As knowledge about the dangers of solvents and detergents grows, so does the potential of biological alternatives.

Solvent- and phosphate-based cleaning products for homes, health care facilities, office buildings and institutions are coming under increasing scrutiny for reasons such as consumer and worker safety, environmental impact and disposal problems. Yet even the most powerful and potentially dangerous of these chemicals may not clean or deodorize adequately, especially in high-traffic areas. Epicore provides cost-effective solutions to these problems with safe and effective carpet and hard-surface cleaners that are proven to eliminate persistent odors in carpeted areas and washrooms.

Epicore's comprehensive line of biological cleaning products

Epizym™-HS is an enzymatic detergent which cleans protein-based contaminants from all types of hard surfaces. Extensive hospital trials in South Wales were so successful in solving long-standing problems that Epizym™-HS was immediately selected as a designated product. Epizym Biosystems Ltd. is working with O.C.S. Group Ltd, one of the largest commercial cleaning companies in the UK, to replace their older styles of products with Epicore's safe and effective alternative.

With a solid customer base for dry treatments that eliminate blockages in all types of drainage systems, Epicore is achieving growth and greater visibility for these products. The gain in UK sales this year reflects increased usage plus new contracts with such notable enterprises as Commercial Union and Eurotunnel, among many others.

Growth and Visibility

Financial Summary

Management Discussion & Analysis

Fiscal year 1996 was a successful year with the expansion of operations in Indonesia, the signing of a marketing and distribution agreement with the Animal Health Division of Bayer A.G. for Thailand and other South East Asian countries and the initial penetration of the Ecuadorian market. Epicore expects continuing success in both South East Asia and South America in 1997.

The substantial increase in sales of almost $1.5 million was due largely to Indonesian operations. While the consolidated loss from operations declined slightly this year, the overall loss per share increased to $0.19 per share compared to $0.18 last year due to other income and loss items.

The Company is proceeding with an application for a listing on the Alternative Investment Market in London, England. To accommodate the requirements of the AIM and of the Alberta Securities Commission, Epicore will be preparing its Financial Statements in accordance with US generally accepted accounting principles ('US GAAP'). This will have a minor impact on the amounts shown in the statements for this and prior years and primarily involves additional note disclosure. The Company will also be reporting in US dollars as this is the currency used for most sales and other corporate transactions around the world. These changes will provide additional information for shareholders and will facilitate analysis by investors.

Results of Operations

Sales of products in Sulawesi, services to Sulawesi Utamo Agro and revenues from the construction and operation of the PPF International Corporation shrimp farm, all in Indonesia, produced an almost sevenfold increase in South East Asian sales. The increase in the remaining regions is attributable to initial sales to Ecuadorian farmers. Gross margins have shown significant improvement as lower priced 'demonstration' quantities were followed by sales at full commercial prices this year.

The greater level of marketing and operating activity at the Mt. Holly facility, offset somewhat by lower general and administrative expenses, resulted in a $162,000 (5%) increase in operating and administrative expenses over last year. The additional $140,000 spent on research and development this year reflects the continuing work on new product development which produced five new aquaculture and sanitation products. Under Canadian accounting rules, R&D costs include expenditures for new market development. These costs have been removed in accordance with US GAAP which includes only new product development costs. Higher amortization costs of $88,000 were largely due to the operation of the plant for the full year in fiscal year 1996.

With lower cash surpluses this year, interest income declined $160,000. As operations were financed through the issue of shares rather than through borrowings, financing costs were also lower (1996 - $14,000; 1995 - $47,000). Epizym Biosystems Limited ('Epizym'), an affiliated company, increased the scope of marketing efforts this year with successful demonstrations of Epizym™-AW and trials of Epizym™-HS. This resulted in an increase in total expenditures and accordingly an increase in Epicore's share of Epizym's losses (1996 - $142,000; 1995 - $94,000).

Financial Summary

Management Discussion & Analysis (Cont'd)

While expenses attributable to operations are up by $358,000 (9%), higher sales have resulted in a small reduction in the loss from operations of $61,000 compared to last year. However, net loss for the year has increased slightly over last year ($146,000) due to lower interest revenues and higher affiliate losses.

Epicore markets its products and services globally and to a number of industries. The Company therefore is subject to the risks of international business such as changes in governmental regulations, taxation, tariffs and fluctuations in local currencies as well as changes in the economic health of the industries in each country. Epicore also faces competitive risks from other biotechnology companies and from new technology.

Liquidity and Capital Resources

Operating activities, including changes in non-cash working capital balances, utilized $3,590,000 of cash this year, down from the $3,930,000 utilized last year. The outstanding operating loan of $590,000 was repaid and $137,000 was spent on equipment and improvements largely at the Mt. Holly facility. In conjunction with O.C.S. Group, the Company recapitalized its joint venture, Epizym, with an additional investment of $235,000 and advances of $49,000. These activities resulted in a significant decline in cash and investments which was offset, in part, by proceeds from the issue of additional shares.

Under the terms of the PPF International contract, cash advanced for construction is segregated and restricted as to use. This is offset on the Balance Sheet by Deferred Revenue. The increase in the level of accounts receivable and inventory is consistent with the increase in operating levels.

The cumulative translation adjustment results primarily from translation of Canadian and Indonesian assets and liabilities into US dollars. As this adjustment is calculated at year-end rates, it will vary from year to year depending upon the relative strengths of the Canadian dollar, the Indonesian rupiah and the US dollar.

The Company's financial position has been strengthened recently by the private placement in September 1996 of 3.79 million shares for net proceeds of approximately CDN $7.5 million. These funds will be sufficient to finance anticipated expenditures for the 1997 year.

Financial Summary

Management's Report

To the Shareholders of Epicore Networks Inc.

Management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles and for ensuring that all other financial and operating information presented in this annual report is consistent with such financial statements. Management has established and maintains a system of internal controls which are designed to provide assurance that assets are managed efficiently and to facilitate the preparation of reliable and timely financial information.

Independent auditors, appointed by the shareholders of the company, have examined the financial statements and their opinion is expressed herewith. The Audit Committee, all members of which are non-executive directors, has reviewed these statements with management and has approved them on behalf of the Company's Board of Directors.

J. M. Fraser
Chief Executive Officer

D. N. Hunt
Chief Financial Officer

Financial Summary

Auditor's Report

To the Shareholders of Epicore Networks Inc.

We have audited the consolidated balance sheets of Epicore Networks Inc. as at June 30, 1996 and 1995 and the consolidated statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 1996 and 1995 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles as applied in the United States.

BDO Dunwoody
Chartered Accountants

Calgary, Alberta
August 27, 1996

Epicore Networks Inc.

Consolidated Balance Sheets (In US Dollars)

As at June 30		*1996*	*1995*
Assets			
Current			
Cash and short term investments		**$ 447,027**	$ 2,411,699
Contractually restricted cash (Note 1(i))		**170,367**	-
Accounts receivable (Note 2)	- Trade	**581,008**	399,093
	- Due from related parties	**110,200**	80,200
Inventory		**614,488**	446,860
Prepaid expenses		**80,618**	72,215
		2,003,708	3,410,067
Investment in an affiliated company (Note 3)		**32,170**	-
Plant and equipment (Note 4)		**765,713**	816,999
Other assets (Note 5)		**1,498,790**	1,727,521
		$ 4,300,381	$ 5,954,587
Liabilities and Shareholders' Equity			
Current			
Operating loan (Note 6)		**$ -**	$ 590,293
Accounts payable		**180,688**	197,325
Deferred revenue (Note 1(i))		**170,367**	-
		351,055	787,618
Share of equity deficiency in an affiliated company (Note 3)		**-**	110,289
		351,055	897,907
Share capital (Note 7)		**16,600,709**	13,944,343
Cumulative translation adjustment		**(63,463)**	(86,631)
Deficit		**(12,587,920)**	(8,801,032)
		3,949,326	5,056,680
		$ 4,300,381	$ 5,954,587

Approved on behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements

Epicore Networks Inc.

Consolidated Statements of Income and Deficit (In US Dollars)

For the years ended June 30	***1996***	*1995*
Revenue		
Sales	**$ 1,780,817**	$ 306,733
Cost of sales	**1,339,901**	284,479
Gross Margin	**440,916**	22,254
Expenses		
Operating and administrative expenses	**3,369,174**	3,207,058
Research and development	**381,489**	240,998
Amortization	**360,517**	272,026
Financing costs	**13,973**	47,296
	4,125,153	3,767,378
Loss from operations	**(3,684,237)**	(3,745,124)
Other income (loss)		
Interest income	**38,878**	198,915
Loss of an affiliated company	**(141,529)**	(94,490)
	(102,651)	104,425
Net loss for the year	**(3,786,888)**	(3,640,699)
Deficit, beginning of year	**(8,801,032)**	(5,160,333)
Deficit, end of year	**$ (12,587,920)**	$ (8,801,032)
Loss per share	***$ (0.19)***	*$ (0.19)*

The accompanying notes are an integral part of these financial statements

Epicore Networks Inc.

Consolidated Statements of Cash Flows
(In US Dollars)

For the years ended June 30	*1996*	*1995*
Cash provided (used) by		
Operating activities		
Net loss for the year	**$ (3,786,888)**	$ (3,640,699)
Items not involving cash		
Amortization	**436,848**	369,782
Foreign exchange	**23,168**	69,966
Equity share of losses of an affiliate	**141,529**	94,490
	(3,185,343)	(3,106,461)
Changes in non-cash working capital balances (Note 9)	**(404,583)**	(823,427)
	(3,589,926)	(3,929,888)
Financing activities		
Proceeds from operating loans	-	590,293
Repayment of operating loans	**(590,293)**	-
Issue of common shares, net of issue costs	**2,656,366**	1,698,833
	2,066,073	2,289,126
Investing activities		
Purchase of plant and equipment	**(136,979)**	(512,274)
Registration of trademarks	**(19,852)**	(9,641)
Investments in and advances to an affiliated company	**(283,988)**	(79,370)
	(440,819)	(601,285)
Decrease in cash	**(1,964,672)**	(2,242,047)
Cash and equivalents, beginning of year	**2,411,699**	4,653,746
Cash and equivalents, end of year	**$ 447,027**	$ 2,411,699

The accompanying notes are an integral part of these financial statements

1. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company:

(a) United States Generally Accepted Accounting Principles ("US GAAP")

These financial statements have been prepared in accordance with US GAAP.

(b) Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for consolidated operations. Any amounts designated in Canadian dollars have been clearly identified as such (CDN$).

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany balances and transactions have been eliminated.

(d) Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash investments and trade receivables. The Company restricts investment of temporary cash investments to financial institutions with high credit standing. Credit risk on trade receivables is minimized as a result of the large and diverse nature of the Company's worldwide customer base.

(e) Inventory

Finished goods and raw materials are stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

(f) Plant, equipment and other assets

Plant, equipment and other assets are recorded at cost. Amortization is provided on the straight-line basis as follows:

Plant and equipment	3 to 15 years
Microbial products and processes	10 years
Trademarks	10 years
Goodwill	3 to 5 years

(g) Investments

The Company accounts for its 50% interest in Epizym Biosystems Limited ('Epizym') using the equity method, whereby the investment is initially recorded at cost and the carrying value adjusted thereafter to reflect the changes in the Company's share in the equity of the investee. In prior years, Epizym's year end was March 31 and adjustments were made based on interim financial statements. During the current year, Epizym changed its year end to June 30, 1996. Epicore plans to continue to support the operations of Epizym.

(h) Foreign currency translation

At the transaction date, each asset, liability, revenue or expense is translated into US dollars by using the then prevailing exchange rate. At the year end, all assets and liabilities are translated into US dollars by using the exchange rate in effect at that date. Adjustments resulting from the translation of financial statements into US dollars are included in the cumulative translation adjustments component of shareholders equity.

1. Significant Accounting Policies (continued)

(i) Revenue recognition

Revenue from the sale of biotechnology products is recognized at the time of delivery of the product to the customer.

Revenue from the provision of services including technical and customer support is recognized upon completion of services as per the terms of the various agreements.

The Company recognizes revenue on long term contracts based on a percentage of completion basis. The completion stage is determined based on costs incurred in relation to total anticipated costs of the project. Where required by the terms of the contract, prepayments are segregated as contractually restricted cash.

(j) Research and development costs

Research and development costs represent costs incurred to develop new products. These costs include related materials and services, salaries, overhead, amortization of microbial products and processes and other costs directly related to product research and development activities. These costs are expensed in the period in which they are incurred.

(k) Loss per share

Loss per share is computed based on the average number of common and equivalent (stock option) shares outstanding for the period.

2. Accounts Receivable

Included in accounts receivable is approximately $14,700 (1995 - $25,500) which is due from directors and employees and $95,500 (1995 - $54,700) which is due from Epizym Biosystems Ltd.

3. Investment in an Affiliated Company

Investment in Epizym (Note 1(g)) consists of the following:

	1996	1995
Investment in Epizym	**$ 272,400**	$ 37,721
Accumulated shares of losses recorded to date	**(370,429)**	(228,900)
Advances to Epizym	**130,199**	80,890
	$ 32,170	$ (110,289)

4. Plant and Equipment

	1996			1995		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Plant and equipment	**$ 1,118,099**	**$ 352,386**	**$ 765,713**	$ 999,600	$ 182,601	$ 816,999

5. Other Assets

	1996			1995		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Microbial products and processes	**$ 1,951,751**	**$ 482,562**	**$ 1,469,189**	$ 1,935,962	$ 285,282	$ 1,650,680
Trademarks	**32,801**	**3,200**	**29,601**	12,839	993	11,846
Goodwill	**297,519**	**297,519**	**-**	295,112	230,117	64,995
	$ 2,282,071	**$ 783,281**	**$ 1,498,790**	$ 2,243,913	$ 516,392	$ 1,727,521

6. Operating Loan

The operating demand loan outstanding at June 30, 1995 was supported by a general security agreement over all assets and an assignment of term deposit certificates. The loan bore interest on outstanding amounts at prime rates. The facility was terminated in 1996 after repayment of all outstanding balances.

7. Share Capital

(a) Authorized

- an unlimited number of voting common shares
- an unlimited number of non-voting preferred shares

(b) Issued

Common Shares	1996		1995	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of year	**20,137,989**	**$ 13,944,343**	18,427,989	$ 12,245,510
Shares issued for cash (net of issue costs of $115,000)	**900,000**	**2,656,366**	-	-
Shares issued from exercise of stock options	**-**	**-**	1,710,000	1,698,833
Balance, end of year	**21,037,989**	**$ 16,600,709**	20,137,989	$ 13,944,343

7. Share Capital - (Continued)

(c) Stock options

The "Incentive Stock Option Plan" was adopted by Argonaut Investment Corp., a predecessor to Epicore Networks Inc., and has remained unchanged to this time. The plan allows the Board of Directors, in their discretion, to grant to directors and key personnel of the corporation or any of its subsidiaries the right to purchase all or any part of an aggregate of 10% of the then issued and outstanding shares of the corporation at not less than fair market value (defined to be the price at which the corporation's stock trades on the day before the option is granted), subject to any discounts allowed by the Stock Exchange. No person may hold options for more than 5 years from the date upon which the options in question are granted and, subject to the amendment of the Directors, options can only be exercised while the optionee is a director, officer or employee, or within up to 90 days thereafter (subject to some further exceptions in the event of death). All option agreements must be in writing and are non-transferable and non-assignable.

The Company has granted incentive stock options to the directors and employees of the Company as follows:

		Number of shares	Option price per share range
Options outstanding, June 30, 1994		**2,800,000**	**CDN $0.43 to $5.00**
Options	- exercised	(1,710,000)	CDN $0.43 to $3.45
	- granted	130,000	CDN $3.10
Options outstanding, June 30, 1995		**1,220,000**	**CDN $2.10 to $5.00**
Options	- surrendered	(25,000)	CDN $3.10
	- granted	270,000	CDN $2.95 to $5.00
Options outstanding, June 30, 1996		**1,465,000**	**CDN $2.10 to $5.00**

The weighted average exercise price of options outstanding at June 30, 1996 is CDN $3.72. The options expire on dates ranging from October 17, 1998 to May 7, 2001.

The Company has also issued a warrant to purchase 1,000,000 (1995 - 1,000,000) shares at CDN $5.00 per share. The warrant expires December 31, 1998.

(d) Employee non-cash compensation plan

The Non-cash Compensation Plan was adopted by the Board of Directors in May, 1996 to provide incentives to individuals and to retain knowledgeable and competent staff. As the corporation is in the early stage of development, compensation is by way of grants of stock options and/or stock in the corporation. The Board of Directors, in its discretion, may grant such incentives to officers and key employees of Epicore and its subsidiaries based upon the performance of the corporation and the individual during the previous year. The initial awards will be based upon performance for periods of employment prior to fiscal year 1995/96. As at June 30, 1996 no awards had been made under this plan.

(e) Escrowed shares

At June 30, 1996, 400,000 (1995 - 1,400,000) shares issued to an Officer and Director were held in escrow directly and indirectly. On December 1, 1995, 1,000,000 shares were released from escrow. The remaining shares will be released from escrow on December 1, 1996. These shares are not eligible to vote until released from escrow.

The acquisition of microbial products and processes on January 5, 1994 resulted in 1,000,000 shares being issued and held in escrow. These shares are subject to a performance escrow and are to be released on the basis of one share for each CDN$3.00 of net cash flow. Any shares not released by January 5, 1999 will be cancelled. These shares have not been included in the number of issued and outstanding shares of the Company (Note 7(b)).

8. Income Taxes

The Company and its subsidiaries have approximately $11,000,000 (1995 - $7,300,000) of non-capital tax losses carried forward for which the benefits have not been recognized in these financial statements. These losses expire at varying dates ranging from 1998-2011. The Company has reduced the value of deferred tax assets to nil to reflect the current uncertainty of future realization of these assets (Note 15(c)).

Deferred Tax Assets

	1996	1995
Accumulated losses in an affiliated company	**$ 147,000**	$ 84,000
Share issue costs	**154,000**	192,000
Plant and office equipment	**35,000**	(2,000)
Other assets	**63,000**	34,000
Net operating losses: Canadian	**3,361,000**	2,667,000
: Foreign	**679,000**	424,000
	4,439,000	3,399,000
Valuation allowance	**(4,439,000)**	(3,399,000)
Net deferred tax assets	**$ -**	$ -

9. Statement of Changes in Cash Flows

Changes in non-cash working capital balances of:

	1996	1995
Contractually restricted cash	**$ (170,367)**	$ -
Accounts receivable	**(211,915)**	(252,793)
Inventory	**(167,628)**	(378,639)
Prepaid expenses	**(8,403)**	(56,547)
Accounts payable	**(16,637)**	(135,448)
Deferred revenue	**170,367**	-
	$ (404,583)	$ (823,427)

The estimated fair value of cash and cash equivalents, accounts receivable and accounts payable approximates the carrying value of these financial instruments because of their current nature.

Supplemental cash flow information:

1996 There were no material non-cash transactions during 1996.

1995 There were no material non-cash transactions during 1995.

10. Related Party Transactions

The Company paid consulting and other fees of approximately $346,000 (1995 - $275,000) to directors of the Company.

11. Commitments and Contingencies

The Company has entered into certain consulting agreements and has leased various premises for which the minimum annual payments are approximately as follows:

	Lease payments	Consulting agreements
1996/1997	$ 129,000	$ 330,000
1997/1998	$ 118,000	$ 330,000
1998/1999	$ 94,000	$ 330,000
1999/2000	$ -	$ 330,000
2000/2001	$ -	$ 330,000

12. Segment Information

In 1996, the Company operated in one industry segment, that being the development, manufacturing and marketing of environmentally friendly biotechnology products and the provision of services for the aquaculture industry. "Other" includes products and services for the agriculture, bioremediation and sanitation industries, plus research and development and corporate office costs.

1996	Aquaculture	Other	Total
Revenues	$ 1,686,000	$ 95,000	$ 1,781,000
Operating losses	$ 1,279,000	$ 2,405,000	$ 3,684,000
Identifiable assets	$ 1,949,000	$ 2,319,000	$ 4,268,000
Capital expenditures	$ 157,000	$ -	$ 157,000
Amortization	$ 162,000	$ 275,000	$ 437,000

1995

The Company did not have any reportable industry segments in 1995.

In 1996 and 1995, the Company's operations were conducted primarily in one geographic area, South East Asia. The domestic and rest of world geographic segment includes Canada, the United States and joint venture operations in Europe.

1996	Domestic and Rest of World	South East Asia	Eliminations	Total
Sales by geographic segment	$ 221,000	$ 1,584,000	$ (24,000)	$ 1,781,000
Segment operating loss	$ (3,069,000)	$ (845,000)	$ 230,000	$ (3,684,000)
Loss of an affiliated company				(142,000)
Interest income				39,000
Net loss for the year				$ (3,787,000)
Identifiable assets	$ 4,676,000	$ 1,172,000	$ (1,580,000)	$ 4,268,000

12. Segment Information (Continued)

1995	Domestic and Rest of World	South East Asia	Eliminations	Total
Sales by geographic segment	$ 115,000	$ 208,000	$ (16,000)	$ 307,000
[illegible]	$ (3,095,000)	$ (508,000)	$ (142,000)	$ (3,745,000)
				(95,000)
				199,000
				$ (3,641,000)
	$ 6,233,000	$ 555,000	$ (833,000)	$ 5,955,000

assified to conform to fiscal 1996 presentation. These changes had no impact on previously reported

nciliation

nave been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). terial respects with generally accepted accounting principles in effect in Canada ("Canadian GAAP") except

are translated into the reporting currency at the transaction date rate. At year end, all assets and liabilities are translated into the reporting currency by using the exchange rate in effect at that date. Resulting foreign exchange gains and losses are reflected as a separate component of shareholders' equity.

Under Canadian GAAP, non-monetary assets and liabilities would be translated at historical exchange rates.

The effect on the current and prior year's net income as a result of this difference is not material.

(b) Legal claim settlement

During 1995 the Company settled a legal claim for CDN$200,000. This has been reflected as a 1995 expense under US GAAP. For Canadian reporting, the earnings impact would have been reflected retroactively in 1994. As a result, ending deficit as at June 30, 1994 would have been higher by CDN$200,000 under Canadian GAAP and the loss for 1995 lower by CDN$200,000.

(c) Deferred income taxes

Under US GAAP, deferred tax debits are recorded and then reduced through a valuation allowance if it is more likely than not that some, or all, of the deferred tax asset will not be realized (Note 8). Under Canadian GAAP, such tax debits are recorded when there is reasonable assurance that they will be realized.

Under Canadian GAAP, deferred taxes are calculated using the deferred method. US GAAP records taxes based on the asset and liability method.

No deferred taxes would have been recorded under Canadian GAAP in either of the years reported herein.

11. Commitments and Contingencies

The Company has entered into certain consulting agreements and has leased various premises for which the minimum annual payments are approximately as follows:

	Lease payments	**Consulting agreements**
1996/1997	$ 129,000	$ 330,000
1997/1998	$ 118,000	$ 330,000
1998/1999	$ 94,000	$ 330,000
1999/2000	$ -	$ 330,000
2000/2001	$ -	$ 330,000

12. Segment Information

In 1996, the Company operated in one industry segment, that being the development, ma
friendly biotechnology products and the provision of services for the aquaculture industry
agriculture, bioremediation and sanitation industries, plus research and development and

1996	**Aquaculture**	**Other**	**T**
Revenues	$ 1,686,000	$ 95,000	$ 1,7
Operating losses	$ 1,279,000	$ 2,405,000	$ 3,6
Identifiable assets	$ 1,949,000	$ 2,319,000	$ 4,2
Capital expenditures	$ 157,000	$ -	$ 1
Amortization	$ 162,000	$ 275,000	$ 4

1995

The Company did not have any reportable industry segments in 1995.

In 1996 and 1995, the Company's operations were conducted primarily in one geographic area, South East Asia. The domestic and rest of world geographic segment includes Canada, the United States and joint venture operations in Europe.

1996	**Domestic and Rest of World**	**South East Asia**	**Eliminations**	**Total**
Sales by geographic segment	$ 221,000	$ 1,584,000	$ (24,000)	$ 1,781,000
Segment operating loss	$ (3,069,000)	$ (845,000)	$ 230,000	$ (3,684,000)
Loss of an affiliated company				(142,000)
Interest income				39,000
Net loss for the year				$ (3,787,000)
Identifiable assets	$ 4,676,000	$ 1,172,000	$ (1,580,000)	$ 4,268,000

12. Segment Information (Continued)

1995	Domestic and Rest of World	South East Asia	Eliminations	Total
Sales by geographic segment	$ 115,000	$ 208,000	$ (16,000)	$ 307,000
Segment operating loss	$ (3,095,000)	$ (508,000)	$ (142,000)	$ (3,745,000)
Loss of an affiliated company				(95,000)
Interest income				199,000
Net loss for the year				$ (3,641,000)
Identifiable assets	$ 6,233,000	$ 555,000	$ (833,000)	$ 5,955,000

13. Reclassifications

Certain prior year amounts have been reclassified to conform to fiscal 1996 presentation. These changes had no impact on previously reported operations or shareholders' equity.

14. Canadian GAAP Reconciliation

The financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). The financial statements conform in all material respects with generally accepted accounting principles in effect in Canada ("Canadian GAAP") except for the following:

(a) Foreign currency translations

Under US GAAP, all revenues and expenses are translated into the reporting currency at the transaction date rate. At year end, all assets and liabilities are translated into the reporting currency by using the exchange rate in effect at that date. Resulting foreign exchange gains and losses are reflected as a separate component of shareholders' equity.

Under Canadian GAAP, non-monetary assets and liabilities would be translated at historical exchange rates.

The effect on the current and prior year's net income as a result of this difference is not material.

(b) Legal claim settlement

During 1995 the Company settled a legal claim for CDN$200,000. This has been reflected as a 1995 expense under US GAAP. For Canadian reporting, the earnings impact would have been reflected retroactively in 1994. As a result, ending deficit as at June 30, 1994 would have been higher by CDN$200,000 under Canadian GAAP and the loss for 1995 lower by CDN$200,000.

(c) Deferred income taxes

Under US GAAP, deferred tax debits are recorded and then reduced through a valuation allowance if it is more likely than not that some, or all, of the deferred tax asset will not be realized (Note 8). Under Canadian GAAP, such tax debits are recorded when there is reasonable assurance that they will be realized.

Under Canadian GAAP, deferred taxes are calculated using the deferred method. US GAAP records taxes based on the asset and liability method.

No deferred taxes would have been recorded under Canadian GAAP in either of the years reported herein.

14. Canadian GAAP Reconciliation (Continued)

(d) Statement of cash flow

Under Canadian GAAP, the statement of cash flow includes non-cash transactions as operating, financing or investing activities. There were no material differences on the statement of cash flow as there were no material non-cash transactions in 1995 or 1996.

(e) Earnings per share ("EPS")

Under US GAAP, the computation of basic EPS considers the weighted average number of shares outstanding during the year plus common share equivalents, such as options, warrants and certain convertible securities. This method requires basic EPS to be computed as if the common share equivalents were exercised at the beginning of the year or at the date of issue and as if the funds obtained thereby were used to purchase common shares of the Company at its average market value during the period.

Under Canadian GAAP, basic EPS is calculated using the weighted average number of shares outstanding during the year. Fully diluted EPS assumes that the outstanding warrants at the end of the year had been exercised at the beginning of the year.

For 1996, basic EPS under Canadian GAAP would be \$(0.18) (1995 - \$(0.18)) based on a weighted average number of shares outstanding of 21,589,082 (1995 - 19,724,866). The number of shares outstanding under Canadian GAAP would be 22,037,989. The difference of 1,000,000 shares is attributable to performance shares as detailed in Note 7(e).

(f) Acquisition

In 1989, the Company purchased 387698 Alberta Ltd. which it subsequently disposed of in 1990. This acquisition was originally recorded under the purchase method and subsequently restated to the equity method of accounting under Canadian GAAP. The sale resulted in a net loss of CDN\$352,500. The acquisition, a related party transaction, was effected via the issue of shares.

Under US GAAP, the shares issued would have been recorded at a nominal value, resulting in a decrease in opening share capital of CDN\$352,500 and a related reduction in opening deficit of CDN\$352,500.

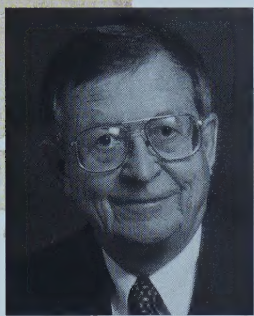
15. Subsequent Event

Subsequent to June 30, 1996, the Company completed a private placement issue of 3,790,000 shares for net proceeds of approximately CDN\$7,546,000 (net of cash issue costs to date of CDN\$34,000). The Company has negotiated payment of additional broker commissions (CDN\$492,300) through the issue of shares. The Company has approached the Alberta Stock Exchange for permission to satisfy these commissions payable by issue of stock in satisfaction of debt.

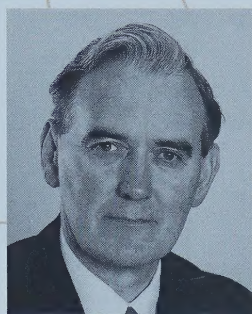
EPICORE

EPICORE NETWORKS INC.

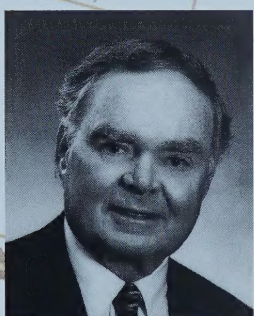
Members of the Board of Directors



William L. Lomow

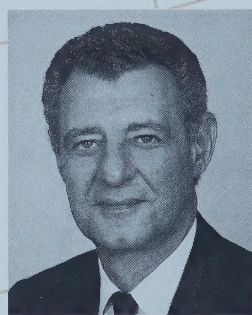


Ian Fraser

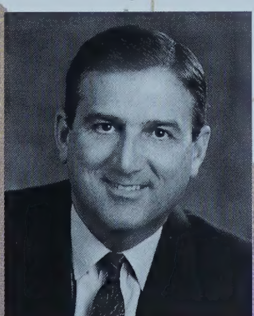


William Cochrane

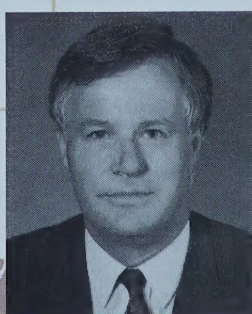
Peter Goodliffe



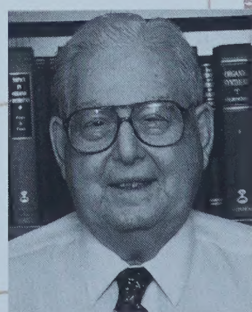
Hugh C. Hart



Sandy McArthur



Peter Wallis



Howard Worne

EPICORE NETWORKS INC.

Board Of Directors

William L. Lomow
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Calgary, Alberta
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J.M. (Ian) Fraser
Chief Executive Officer
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William Cochrane, MD, OC
President
W.A. Cochrane & Associates Inc.
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Peter Goodliffe
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Hugh C. Hart, M.A. (Oxon.)
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Peter C. Wallis
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Chief Executive Officer

David N. Hunt, C.A.
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William Long
Vice President, Operations
North America

Brian D. Heck
General Counsel
and Corporate Secretary

Ian H. Murray
General Manager, Indonesia
Managing Director,
Epicore Networks
(South East Asia) Inc.

Gary Waters
General Manager
Epizym Biosystems Ltd.

Epicore Networks Inc.

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Alberta Stock Exchange
Trading Symbol: EPN